

**TECHNICAL COOPERATION LOAN  
PROGRAM OF INSTITUTIONAL STRENGTHENING FOR THE  
SERVICIO NACIONAL DE IMPUESTOS INTERNOS (SNII)**

**(BO-0186)**

**EXECUTIVE SUMMARY**

<b>Borrower and guarantor:</b>	Republic of Bolivia.	
<b>Executing agency:</b>	Servicio Nacional de Impuestos Internos (SNII) [Internal Revenue Service].	
<b>Amount and source:</b>	IDB (foreign exchange from FSO):	US\$3.2 million
	Local counterpart:	US\$0.8 million
	Total:	US\$4.0 million
<b>Financial terms and conditions:</b>	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	3.6 years
	Interest rate (first 10 years):	1.0%
	Interest rate (thereafter):	2.0%
	Inspection and supervision:	1.0%
	Credit fee:	0.5%
<b>Objectives:</b>	The overall objective of the program is to contribute to Bolivia's fiscal sustainability. Its immediate objective is to improve the efficiency and effectiveness of the administrative management of the Internal Revenue Service by means of the following activities: (i) formulation and implementation of a corporate strategy; (ii) design and implementation of a corporate planning system; (iii) strengthening of operational management; (iv) introduction of a modern tax audit strategy; and (v) reinforcement of the institutional capacity in the area of information technology.	
<b>Description:</b>	<b>Organizational development (US\$1,477,000).</b> Under this component, activities will be carried out: (i) to enact legislation giving the SNII technical, administrative and financial autonomy; (ii) to strengthen its capacity for planning, management and supervision of tax procedures; and (iii) to restructure the institutional decision-making process.	

**Support for auditing (US\$1,292,000).** Under this component, activities will be carried out at the central level and within the institution's operational offices. At the central level, strengthening will be provided for activities with indivisibilities (planning and coordination of audits, performance evaluations, etc.) or large externalities (high-impact cases, methodology development, provision of information, etc). In regional offices, support will be provided for the introduction of new audit methods.

**Information technology (US\$536,000).** This component will reinforce the SNII capacity in the area of information systems management and development. It will also address the needs of other program components, particularly those concerned with the organizational modernization and tax procedures.

**Relationship of project in Bank's country and sector strategy:**

The Bank's strategy for Bolivia supports the government's poverty reduction efforts by promoting sustained growth based on three courses of action: (i) economic progress and creation of opportunities; (ii) human capital development and access to basic social services; and (iii) support for governance and consolidation of reforms. The program is consistent with this strategy since it will make it possible to consolidate government reforms and reinforce Bolivia's efforts to improve tax collection and reduce tax evasion.

**Environmental and social review:**

The program was reviewed by the Committee on Environment and Social Impact (CESI). The program is not expected to have any adverse environmental or social impacts.

**Benefits:**

This program will help strengthen the SNII, the entity responsible for administration of tax revenues, amounting to the equivalent of 13.1% of GDP. The institutional strengthening activities are expected to bring fiscal accounts into balance, thus making it possible to increase social spending without compromising economic stability.

The program will also facilitate efforts to reduce tax evasion by assimilating heretofore delinquent taxpayers, thus permitting an increase in revenues without the need to raise taxes, and improving the horizontal equity of the tax system.

**Risks:**

An operation of the kind proposed inevitably entails political risks stemming from possible shortcomings in leadership in implementing the reforms (for which senior and middle-level officials are responsible) and in guiding them through Congress.

In order to reduce this risk, the program requires the passage of a law granting technical, administrative and financial autonomy to the SNII and a Civil Service Statutes act. It should be noted that similar legislation was recently approved for the customs administration and

the executive leadership of this institution has been put in place. These initiatives have been ratified by the Bolivian legislature.

Also, the government's support for making fiscal reforms viable is worth noting, including efforts to meet the fiscal targets set under the IMF's enhanced structural adjustment facility (ESAF).

To minimize potential weakness in the area of leadership at the management level, the program includes activities to strengthen management capacity, and to monitor these activities closely.

**Special  
contractual  
clauses:**

The conditions precedent to the first disbursement are as follows:

- Publication and entry into force of the law granting technical, administrative and financial autonomy to the SNII, and the Civil Service Statutes act (paragraph 3.7).
- The formal creation and start-up of the Management Committee (CD) and the Project Executing Unit (PEU), and hiring of personnel to staff the PEU (paragraphs 3.2 and 3.5).

**Poverty-  
targeting and  
social sector  
classification:**

This operation does not qualify as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704).

**Exceptions to  
Bank policy:**

None.

**Procurement:**

The Bank's standard procedures will be used for the procurement of goods and services. International bidding and/or competitions will be used for contracts valued at more than the equivalent of US\$250,000 in the case of goods and at more than the equivalent of US\$200,000 in the case of consulting services. There will be no financing for construction works under the program.